

THE FRANKLIN COUNTY BOARD OF SUPERVISORS HELD A JOINT BUDGET WORK SESSION WITH THE SCHOOL BOARD ON THURSDAY, MARCH 26, 2009, AT 6:00 P.M., IN THE BENJAMIN FRANKLIN MIDDLE SCHOOL WEST GYMNASIUM:

THERE WERE PRESENT: Charles Wagner, Chairman
Wayne Angell, Vice-Chairman
Leland Mitchell
David Hurt
David Cundiff
Russ Johnson
Bobby Thompson

SCHOOL BOARD MEMBERS: Evelyn Cundiff, Vice-Chairperson
Stephen Brubaker
Edward Jamison
Marilyn Starkey
William Helm
Sarah Alexander
G. B. Washburn
P. D. Hambrick, Chairman

ABSENT:

OTHERS PRESENT: Richard E. Huff, II, County Administrator
Christopher L. Whitlow, Asst. County Administrator
Larry V. Moore, Asst. County Administrator
Vincent K. Copenhaver, Director of Finance
Sharon K. Tudor, CMC, Clerk

Chairman Charles Wagner called the meeting to order.

SCHOOL QUESTIONS/ANSWERS ON PROPOSED 2009-2010 BUDGET
Response to School Questions Received 3/25/2009

1. What Franklin County projects have received or will receive Fund Balance dollars 2008, 2009, 2010? **Answer: 2008- \$2,160,000 – No specific project, money used to balance CIP that included School and County one time projects. The June 30, 2007 fund balance was \$21.4 million at the time. 2009- \$900,000 – Used to fund a leachate mitigation DEQ mandated CIP project at the landfill. Additionally, \$998,313 was allocated from the interest savings and contingency savings from the Franklin Center project plus \$2,722,375 from Fund Balance for the Landfill and Government Center projects. 2010-\$ 497,752 – proposed for Windy Gap Capital.**
2. We are receiving a LOT of questions as to whether or not the public will be able to react/ask questions about the proposed County budget before the end of the process as is scheduled. Will you and the Board of Supervisors make this possible? **Answer: That is not my decision and should be asked of the Board of Supervisors on Thursday night. Thursday night is not a public hearing as it was agreed by both Boards to be a worksession when we set our budget calendars.**
3. FCPS is now facing at a minimum of a \$4,000,000 cut in funding for next year. This is after we already cut more than 1 million from our budget before presenting it to the School Board. This will represent significant personnel, instructional and opportunity reductions for next year if it stands. Describe any other departments under your budget that you believe will face similar cuts to services and personnel and be specific as to why you believe this. **Answer: The \$4 million cut is not a number that can be found when comparing budget to budget. To say that a cut is anything that is a reduction from the request is misleading as I did not allow other departments of the County to ask for more than they received in the current year knowing the bleak financial picture we were facing. Had I allowed them to ask for 3-5% more, and then had to reduce their request, they could say the same thing. The schools funded buses in the operating budget this year so it will not be a cut, budget to budget, to level fund them there next year. We simply disagree as to the “cut” that is involved. You have said that the amount is \$2,578,678 (\$1,948,902 + \$629,776 (state) plus the bus amount of \$923,328 for a total of \$3,502,006. My position is that the County has**

proposed giving you what you got this year minus \$1,600,000 plus Windy Gap. Let's take Windy Gap out of the picture, and help me understand how we proposed to cut from this year's level any more than \$1,600,000? The state cut is what it is as we don't factor that in when state and federal monies are increasing. A \$1.6 million reduction on a \$30 million local contribution is 5.27%.

The following areas were cut 5% or more in the 34% of the budget that is non school related as shown in the budget book: Registrar, Library*, Parks & Recreation, Planning & Zoning, Public Works, Building Inspections, J and D Court, Franklin Center, Economic Development, GIS and Mapping, and Virginia Cooperative Extension all received a cut of 5% or greater. Several civic organizations such as The Chambers of Commerce received a 50% reduction, and several organizations were cut to \$0 and not funded at all under the proposed budget.

Additionally, when you look at fairness, is the School Board aware that when we made mid year cuts in the current year (October) in excess of \$1 million dollars, we did not ask the Schools to share any of that in spite of the fact that we were falling short on local revenues that had been committed to the School Division?

4. Explain why you do not include the school system into your definition of Human Service Agencies including helping individuals that cannot help themselves. **Answer:** My definition of Human Service Agencies included folks who are providing medicine to those who don't have access to medicine, those who are in need of basic shelter, health care, and food on the table. Section 15.2-964 of the Code of Virginia defines them as follows: *For the purposes of this section the term "human resource agencies" means agencies which deliver social, employment, health, mental health and mental retardation, rehabilitation, nursing, information and referral service, and such other related services.* Those basic needs then enable a youngster to make it to school, but in their absence may well be the thing that prevents the child from making it to school. Those folks received level funding, in spite of their increased costs and rising number of people seeking assistance. The schools, while extremely important, received within 1.24% of true level funding with local dollars.
5. Why did you not respond or react to Dr. Lackey's proposal that he sent to you the weekend before your budget presentation? **Answer:** Dr. Lackey made a suggestion as to how I should balance the budget in favor of the school division using one time monies for ongoing expenses. I had earlier shared with him and others that I did not intend to recommend that and in fact made that announcement publicly at Board meetings earlier this year as well as in the joint meeting that was held where Dr. Lackey was present. I received numerous suggestions how to balance the budget in favor of a number of other folks. The decision on what to present as a balanced budget is by state statute mine to make and I did so at the appointed time.
6. Do you not agree that the current economic and fiscal environment is atypical and calls for atypical/creative options and solutions? **Answer:** yes

BOARD OF SUPERVISORS QUESTIONS/ANSWERS TO SCHOOL BOARD

1. What stimulus money is available for construction related expenses? If any is available, what can it be used for? Is there Stimulus money available for Title I Schools? What can it be used for?

Answer: Stimulus money for construction---We don't know for sure if we will be eligible to receive any of this funding. I will let you know when we have more direction. There is NO indication that there will be any stimulus dollars specifically for this area as was original thought.

Answer: Stimulus funding for Title I Schools---Some funds are available but they can only be spent in accordance with existing Title I regulations, so they are not discretionary to be used for just anything. I will send you a separate document that details for which these Title I stimulus funds can be used.

2. Do you anticipate a balance left over in the current year from fuel savings? If so, how much and what is the plan for carrying it forward for next year? What is the balance that has been allowed to carry forward for fuel from prior years?

Answer: We hope that at least \$576,544 will be left over from diesel, gasoline, heating fuel oil & propane, and electricity budget line items that can be carried over to 2009-10 as a protection against rising prices. The balance that we carried over from 2007-08 was \$424,176 and we have factored this into my 2008-09 remaining balance estimate. There is no way to know if this will be enough to cover what increases will occur next year.

3. If the proposed budget stands, what cuts will be made to this year's FY09 budget to conform to the proposed FY 10 budget?

Answer: We will have to cut between \$2,578,678 and \$3,502,006 beyond the reductions that we have already made (over an additional million dollars) depending upon how the replacement school bus budget line item is handled. This would probably place us in a financial emergency status. The Board has not yet agreed upon any final budget reductions based upon the current budget scenario. The cuts as reported before today would mean the equivalent of approximately 80 professional positions. Cuts will come from ALL areas including but not exclusive to teachers, aides, administrators, support personnel (all at ALL levels including the DO). Every non-instructional area will be cut as well i.e. transportation, athletics, maintenance and on and on. Students and teachers will no longer be able to participate in activities outside of our region. The list goes on and on. You cannot convince me that there is any other area within your proposed budget that will have anywhere near the reduction that schools and the system will have.

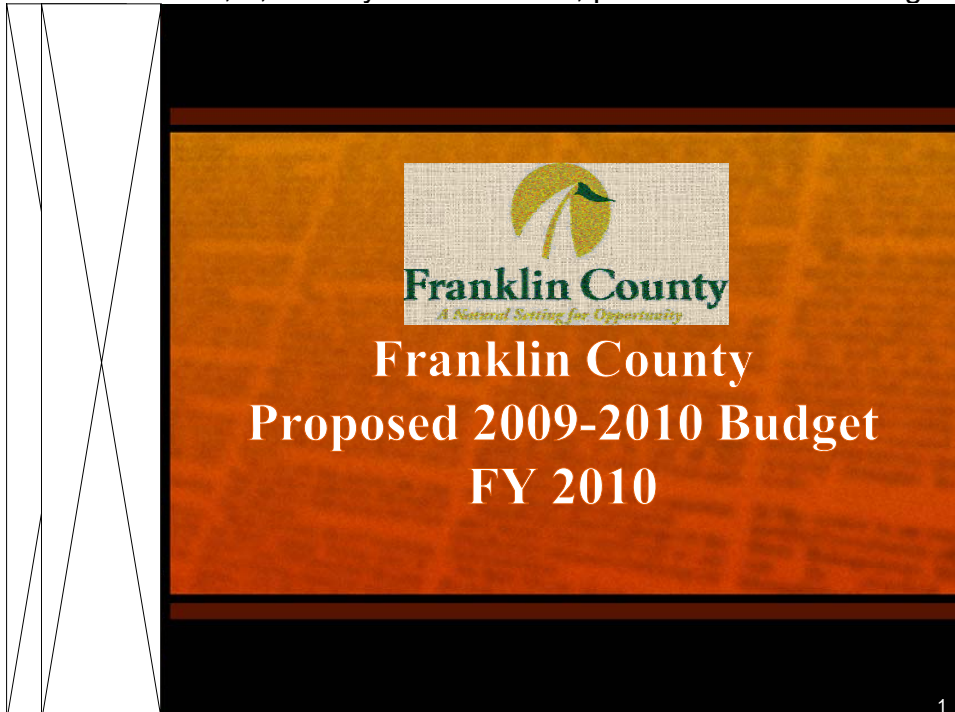
4. The \$59,000 reduction in debt service next year appears to have been absorbed into operations. Is that accurate?

Answer: We did plan to absorb this \$59,034 in reduced debt service funding back into operations funding for 2009-10 since we were hoping for level funding plus Windy Gap plus health insurance. This is now a mute issue due to the severity of the cuts that you have recommended.

General questions and discussion ensued.

2009-2010 SCHOOL BUDGET POWER POINT PRESENTATION

Richard E. Huff, II, County Administrator, presented the following PowerPoint presentation:



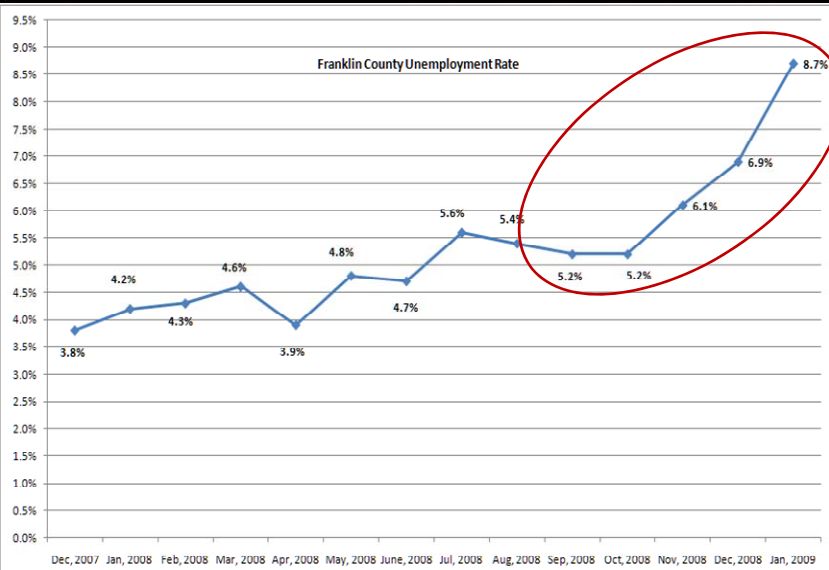
Budget Priorities

Open a new Elementary School and a new Regional Jail in the same year

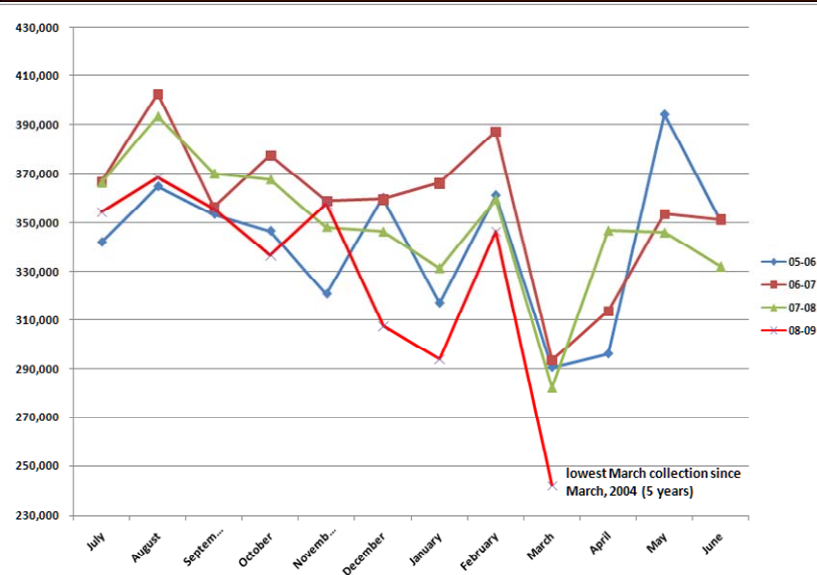
- New Regional Jail Expenses had to be covered by contract obligations
 - \$1,089,693 recurring money needed
 - Consolidate 210 prisoners held in 12 separate facilities into 2 facilities
- New Elementary School required \$755,792 in ongoing operational support plus \$497,752 in start up capital (\$1,253,544)

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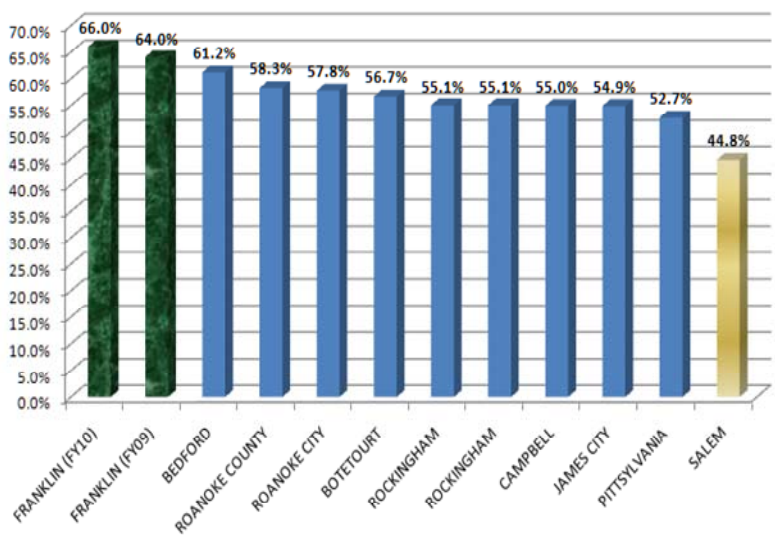
Unemployment



Sales Tax Collections



% of Budget Dedicated to Schools is an Irrelevant Measure



Recommendations

- Local School Funding will decrease by 1.34% over current year
 - Windy Gap Elementary School Opening and Start Up Capital Funded - \$1,253,544
 - School Capital (CIP) Funded at Current Level - \$1,100,000
 - Portion of Local Revenue Shortfall Shared by Schools- (\$1,621,932)
- Net local support for the Schools from local funds equals a reduction of only (\$368,388) or 1.34% despite \$2.53 million decline in local revenues
- Total School Funding will increase by .19% including stimulus money \$81,424,672 in FY10 vs. \$81,274,311 in FY09

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Recommendations

- Total Local School Support-includes increase for Windy Gap Elem. School

FY09=\$30,752,150

FY10=\$30,383,762

% decrease= -1.2%

\$ decrease= (368,388)

Subtract Windy Gap Funding to see what is left for other expenses = (\$368,388) – (\$1,253,544) = (\$1,621,932)

-\$1,621,932 = **(5.27%)** reduction and add
\$30,752,150 back cost of new school

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Budget Priorities

Roanoke.com

March 26, 2009

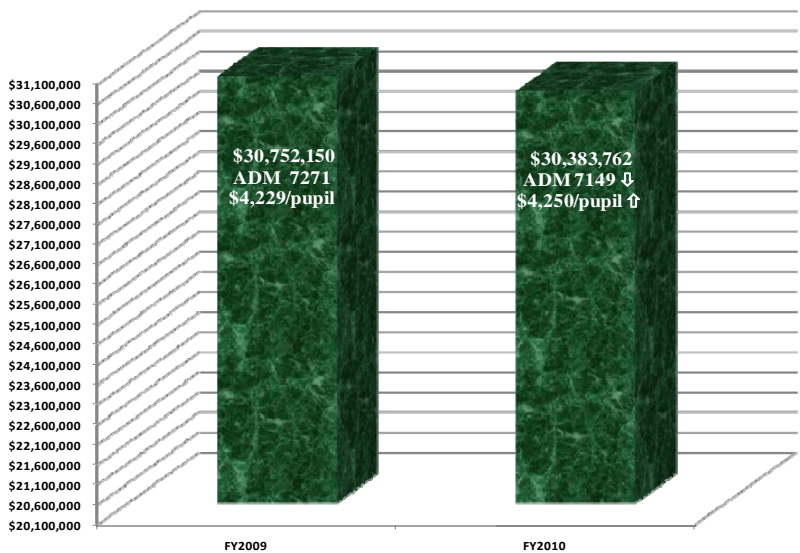
Budget vote looms for county schools

By [David Harrison](#)

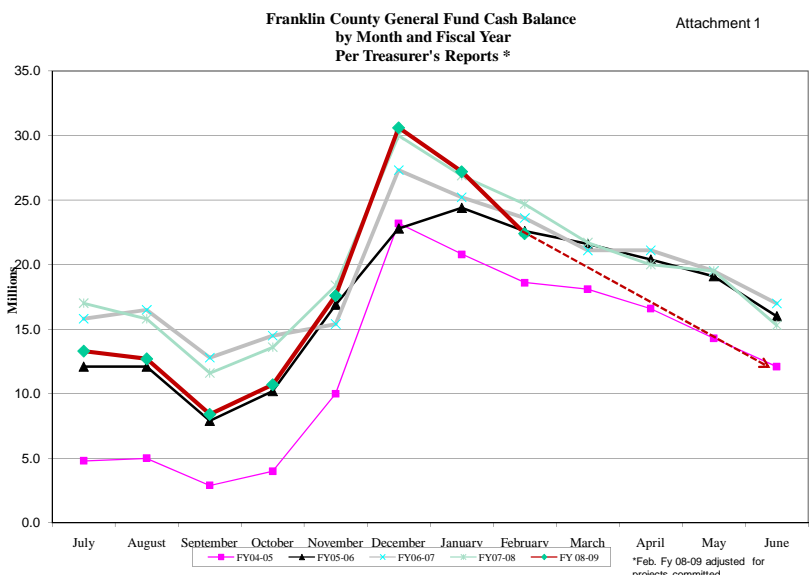
The school system (Roanoke County) will lose \$7.4 million in state funding, as well as \$1.7 million from county government next year. But it will see an additional \$3.8 million from the stimulus package approved by Congress in February, of which \$1.1 million must be used for construction.

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Total Local School Support



Cash Flow Balances



Cash Flow Balances

- The fund balance number of \$17.8 million is the cash flow balance shown on the County’s financial statements at June 30, 2008. This balance increases and decreases throughout the year.
- The use of one time money (doesn’t recur) for ongoing expenses assumes:
 - that either you know where the money will come from the following year and are convinced you can come up with it,
 - you have a plan for how to replenish the savings account, or
 - you are willing to extend the ongoing expense one year and then eliminate it if you don’t have the money next year.

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Cash Flow Balances

- Fund Balance is a hedge during the year if:
 - revenues are worse than projected
 - reimbursement schedules from the state are longer than anticipated
 - state revenue projections are flawed as they were this year
 - unforeseen expenditures present themselves in excess of what can be absorbed in to the existing budget

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Cash Flow Balances

- County expenditures average \$10.57 million per month including schools. \$17.8 million would only carry us a little more than a month and a half. Many communities require a 90 day operating emergency fund as a reserve. State revenues require us to expend the funds and seek reimbursement. The state has, on many occasions, shifted their reimbursement schedule to benefit their cash flow causing those funds to be returned to us much slower than anticipated.
- Franklin County’s Financial Policy states that we will maintain a 10% of budget as a Fund Balance (Cash Flow Balance).

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Cash Flow Balances

- Most grants as well as multiple school programs often require the County to advance the expenditure of funds before the reimbursement can be requested and then the turn around time can often be longer than one month before the County actually receives the revenue. The Franklin Center, for instance, had \$3.3 million in reimbursable grants involved in it with \$100,000 still outstanding. CSA, Social Services, Family Resources, Constitutional Officers, etc., are all subject to cash flow reimbursements as are many of the school grants.

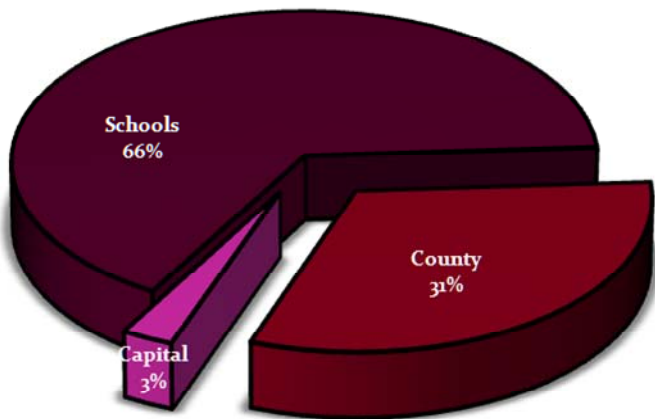
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Cash Flow Balances

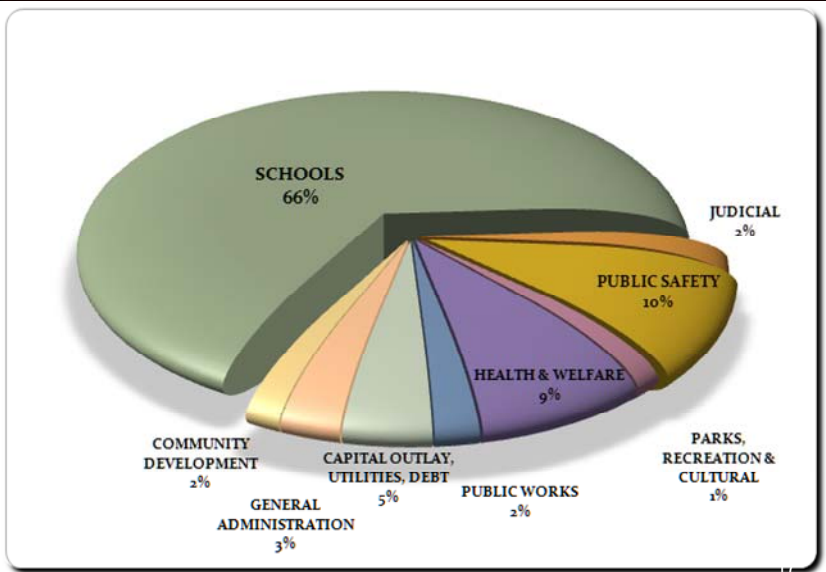
- Maintain the County’s Bond Rating – a real plus has been the County’s pay-as-you-go basis for CIP as well as our cash flow balances that helped offset other deficiencies in order to receive a AA3 rating.
- May need fund balance to cover local revenue shortfalls. March 09 local sales tax was 14.2% **lower** than March 08 and is the lowest March in the last 5 years. Have we reduced our local revenue projections enough for 09-10??

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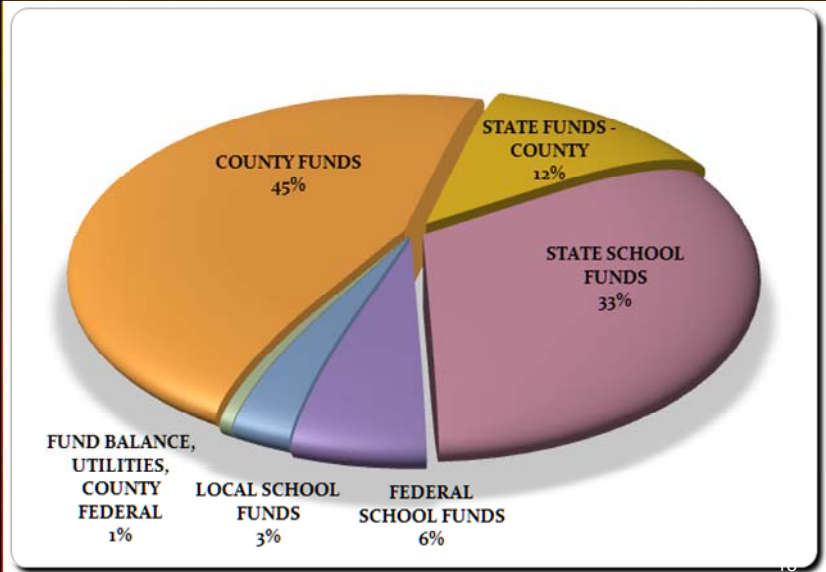
Proposed FY 09-10 Breakdown



Proposed FY 10 Expenditures



Projected FY 10 Revenues



Additional Separate School Board Capital Budget

\$4,892,000 additional request bears serious consideration, with significant modification:

- Cannot support an “interest only” loan until times get better or maybe the Literary Fund becomes available
 - Interest only loans have gotten a significant number of folks in trouble when income drops further and they cannot make the payments later
 - Literary Fund has been raided on many occasions by the state when they needed money and is an unstable source of future funds
 - Develop full principal and interest cost and begin reducing principal immediately

Additional Separate School Board Capital Budget

- Amortization Period should be no longer than 10 years on HVAC, roof, and paving projects, not 20 years
- Projects should be re-estimated in current climate to reduce borrowing amount
- School buses should be put back into operating budget where they have always been
- Thorough review and explanation should be conducted as to need and priority of each project
- Once a portion of \$1,100,000 CIP funding is used for debt service, there must be agreement that the balance may need to be all that is available for these type projects until loan is paid in full

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Chairman Wagner adjourned the meeting.

CHARLES WAGNER
CHAIRMAN

RICHARD E. HUFF, II
COUNTY ADMINISTRATOR